GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:262
ANSWERED ON:25.07.2014
MICRO FINANCE INSTITUTIONS
Adhikari Shri Suvendu;Udasi Shri Shivkumar Chanabasappa

Will the Minister of FINANCE be pleased to state:

(a) whether micro-finance sector has grown rapidly over the years on account of inadequate banking reach in various parts of the country;

(b) if so, the details thereof along with the number of Micro- Finance Institutions (MFIs) registered with the Reserve Bank of India (RBI), State/UT- wise;

(c) whether MFIs have reportedly been involved in charging of high rate of interest using coercive methods for recovery of loans and other irregularities and if so, the details thereof, including rate of interest allowed to them;

(d) the regulatory framework put in place by the Government for regulation of MFIs; and

(e) the measures taken/proposed to be taken for the development of MFIs and also safeguarding the interest of the borrowers?

Answer

(MINISTER OF FINANCE IN THE MINISTRY OF FINANCE) (SHRI ARUN JAITLEY)

(a) to (e) : A Statement is laid on the Table of the House.

Statement referred to in reply to parts (a) to (e) of Lok Sabha Starred Question No. 262 for answer on 25th July, 2014 tabled by Shri Shivkumar Udasi and Shri Suvendu Adhikari regarding 'Micro-finance Institutions'.

(a) & (b): The number of bank branches in the country has increased to 1,15,077 in March, 2014 from 60,220 in 1991 and average population coverage by a branch has come down from 14,005 in 1991 to 11,046 in 2014 indicating improved banking reach in various parts of the country. The Micro Finance Institutions have also grown in the country which has further supplemented the financial services across the country. As per Sa-Dhan Bharat MicroFinance Report 2013, number of MFI borrowers increased to 2.80 crore in 2013 from 0.03 crore in 2001. The report also states that the gross loan portfolio of MFIs increased to Rs. 22,338 crore in 2013 from Rs. 65 crore in 2001. These data indicate the growth of micro finance sector over the years. There are 46 NBFC - MFIs registered with RBI. The list is attached at Annex.

(c) & (d): RBI has reported that they have not come across any instance of an institution registered as an NBFC-MFI charging rate of interest beyond the one prescribed by the Reserve Bank of India. Reserve Bank of India (RBI) has issued regulatory guidelines vide Master Circular on 'Non Banking Financial Company-Micro Finance Institutions' (NBFC-MFIs) − Directions dated 01.07.2014 containing regulatory framework for NBFC-MFIs. Further, to safeguard the interest of borrowers from NBFC-MFIs, RBI has issued detailed Guidelines on Fair Practices Code in 2008 and revised the same from time to time. The last such revision was on February 18, 2013.
Micro Finance Institutions Development and Regulation Bill (MFIDR), 2012 was introduced in the Lok Sabha on 22nd May, 2012 and was referred to the Standing Committee, who submitted its final report on 17th Feb, 2014. The committee urged the Government to have wider consultations with State Governments and stake holders and bring forth a fresh legislation before Parliament. The Bill lapsed due to dissolution of Lok Sabha and shall have to be introduced afresh.
(e): Govt. of India created "India Microfinance Equity Fund" (IMEF) of Rs.100 crore with SIDBI with the primary emphasis of providing equity and quasi equity to smaller MFIs to help them maintain growth and achieve scale and efficiency in their operations. A further allocation of Rs.200 crore has been made to the IMEF in the budget for FY 2014. Up to March 31, 2014 an amount of Rs. 126.75 crore has already been committed. SIDBI is also implementing the World Bank supported "Scaling up Sustainable and Responsible Microfinance Project" to be implemented over a period of 5 years. With a view to up scaling the micro credit portfolio SIDBI has contracted a Line of Credit of USD 300 million (with USD 200 million IBRD and USD 100 million equivalent IDA) with the World Bank. The objective of the project is to scale up access to sustainable microfinance services, particularly to clients in the underserved areas of the country, through among other things, introduction of innovative financial products and fostering transparency and responsible finance.